

12-31-1976

Statitrol Consolidated financial papers

Statitrol Corporation

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STATITROL CORPORATION

Consolidated Balance Sheet

March 31, 1976 and December 31, 1976

<u>ASSETS</u>	December 31, 1976 <u>(Unaudited)</u>	March 31, 1976
Current assets:		
Cash	\$ 398,724	\$ 228,401
Accounts receivable, pledged, less allowance for doubtful accounts of \$93,077 (\$98,220 at March 31)	2,510,523	2,012,297
Inventories, pledged (Note 2)	3,644,933	1,892,011
Prepaid expenses	237,164	85,609
Total current assets	<u>6,791,344</u>	<u>4,218,318</u>
Property, plant and equipment, pledged, at cost:		
Land and improvements	520,515	134,503
Buildings and improvements	854,427	817,047
Furniture and fixtures	202,371	103,643
Production and test equipment	727,854	197,109
Tooling	334,191	250,354
Trucks	30,856	5,139
	<u>2,670,214</u>	<u>1,507,795</u>
Less accumulated depreciation	449,167	302,512
Net property, plant and equipment	2,221,047	1,205,283
Other assets:		
Patents (pledged at March 31, 1976 only) and license agreement, at cost less amortization	53,985	55,081
Deposits and other	17,365	15,766
Total other assets	<u>71,350</u>	<u>70,847</u>
	<u>\$ 9,083,741</u>	<u>\$ 5,494,448</u>

See accompanying notes.

STATITROL CORPORATION

Consolidated Balance Sheet

March 31, 1976 and December 31, 1976

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	December 31, 1976 (Unaudited)	March 31, 1976
Current liabilities:		
Notes payable to bank	\$ 1,250,000	\$ 400,000
Accounts payable	1,954,291	1,749,950
Accrued liabilities	934,576	375,206
Federal and state income taxes	641,421	108,445
Long-term debt due within one year (Note 3)	152,474	73,554
Total current liabilities	<u>4,932,762</u>	<u>2,707,155</u>
Long-term debt due after one year (Note 3)	1,064,109	753,025
Deferred income taxes (Note 1)	95,000	51,000
Stockholders' equity (Notes 5 and 6):		
Capital stock, \$.0333 stated value, 3,000,000 shares authorized, 1,261,445 shares issued (1,202,820 at March 31, 1976), including 1,200 shares held in treasury	42,048	40,094
Capital in excess of stated value	493,850	354,407
Retained earnings	2,463,172	1,595,967
	<u>2,999,070</u>	<u>1,990,468</u>
Less 1,200 shares of common stock held in treasury, at cost	7,200	7,200
Total stockholders' equity	<u>2,991,870</u>	<u>1,983,268</u>
	<u>\$ 9,083,741</u>	<u>\$ 5,494,448</u>

See accompanying notes.

STATITROL CORPORATION

Consolidated Statement of Income

For the Year Ended March 31, 1976 and the Nine Months Ended

December 31, 1976

	Nine Months Ended December 31, 1976 <u>(Unaudited)</u>	Year Ended March 31, 1976 <u></u>
Net sales	\$ 15,681,466	\$ 10,520,258
Cost of sales	<u>11,033,718</u>	<u>6,841,829</u>
Gross profit	4,647,748	3,678,429
Other operating expenses	<u>2,925,507</u> <u>1,722,241</u>	<u>2,487,632</u> <u>1,190,797</u>
Other expense (income):		
Miscellaneous income, net	(136,007)	(20,968)
Interest expense	<u>161,043</u> <u>25,036</u>	<u>109,468</u> <u>88,500</u>
Income before income taxes	1,697,205	1,102,297
Provision for income taxes:		
Current	1,001,000	517,000
Deferred (Prepaid)	<u>(171,000)</u> <u>830,000</u>	<u>28,000</u> <u>545,000</u>
Net income	\$ <u>867,205</u>	\$ <u>557,297</u>
Earnings per common and common equivalent share (Note 5)	<u>\$.70</u>	<u>\$.45</u>

See accompanying notes.

STATITROL CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Year Ended March 31, 1976 and the Nine Months Ended

December 31, 1976

	Common shares outstanding*	Common stock stated value	Capital in excess of stated value	Common stock held in treasury, at cost	Retained earnings	Total
Balance, March 31, 1975	1,189,020	\$ 39,674	\$ 312,321	\$ (7,200)	\$ 1,038,670	\$ 1,383,465
Net income	-	-	-	-	557,297	557,297
Common stock issued for cash (including 7,250 shares to profit-sharing trust)	<u>12,600</u>	<u>420</u>	<u>42,086</u>	<u>-</u>	<u>-</u>	<u>42,506</u>
Balance, March 31, 1976	1,201,620	40,094	354,407	(7,200)	1,595,967	1,983,268
Net income (9 months) (unaudited)	-	-	-	-	867,205	867,205
Common stock issued for cash (including 12,000 shares to profit-sharing trust)	<u>58,625</u>	<u>1,954</u>	<u>139,443</u>	<u>-</u>	<u>-</u>	<u>141,397</u>
Balance, December 31, 1976 (unaudited)	<u>1,260,245</u>	<u>\$ 42,048</u>	<u>\$ 493,850</u>	<u>\$ (7,200)</u>	<u>\$ 2,463,172</u>	<u>\$ 2,991,870</u>

See accompanying notes.

* Not including 1,200 shares held in treasury.

STATITROL CORPORATION

Consolidated Statement of Changes In Financial Position

For the Year Ended March 31, 1976 and the Nine Months Ended

December 31, 1976

	Nine Months Ended December 31, 1976 <u>(Unaudited)</u>	Year Ended March 31, 1976 <u></u>
Sources of funds:		
Operations:		
Net income	\$ 867,205	\$ 557,297
Charges against income not involving the use of working capital in the current period:		
Depreciation and amortization	157,489	127,567
Increase in deferred income taxes	44,000	28,000
Total provided by operations	<u>1,068,694</u>	<u>712,864</u>
Proceeds from sale of common stock	141,397	42,506
Net book value of property and equipment retirements	-	6,580
Proceeds from long-term debt	<u>743,900</u>	<u>338,991</u>
	<u>1,953,991</u>	<u>1,100,941</u>
Applications of funds:		
Additions to property, plant and equipment	1,162,419	418,970
Additions to patents	9,738	25,900
Additions to deposits and other assets	1,599	15,766
Reduction in long-term debt	<u>432,816</u>	<u>115,733</u>
	<u>1,606,572</u>	<u>576,369</u>
Increase in working capital	347,419	524,572
Working capital at beginning of period	<u>1,511,163</u>	<u>986,591</u>
Working capital at end of period	<u>\$ 1,858,582</u>	<u>\$ 1,511,163</u>

See following page for changes in components of working capital.

See accompanying notes.

STATITROL CORPORATION

Consolidated Statement of Changes In Financial Position

For the Year Ended March 31, 1976 and the Nine Months Ended

December 31, 1976

(Continued)

	Nine Months Ended December 31, 1976 <u>(Unaudited)</u>	Year Ended March 31, 1976 <u>1976</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	\$ 170,323	\$ 107,324
Accounts receivable	498,226	628,287
Inventory	1,752,922	974,941
Prepaid expenses	<u>151,555</u>	<u>53,638</u>
	2,573,026	1,784,190
Increase (decrease) in current liabilities:		
Notes payable to bank	850,000	(200,000)
Accounts payable	204,341	1,302,251
Accrued liabilities	559,370	102,056
Federal and state income taxes	532,976	60,236
Long-term debt due within one year	<u>78,920</u>	<u>(4,925)</u>
	2,225,607	1,259,618
Increase in working capital	\$ <u>347,419</u>	\$ <u>524,572</u>

See accompanying notes.

STATITROL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1976

AND

DECEMBER 31, 1976 (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Statitrol International Corporation. All significant intercompany transactions have been eliminated in consolidation.

Inventories:

Inventories are carried at the lower of cost (first-in, first-out) or market.

Depreciation and amortization:

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets.

Patents are being amortized on the straight-line method over the future periods anticipated to be benefited.

Income taxes:

The Company provides in its accounts for the tax effect of timing differences, resulting from the recognition of income and deductions in different periods for financial and income tax reporting. These timing differences result principally from accelerated depreciation utilized for tax purposes, undistributed earnings of the Company's Domestic International Sales Corporation (DISC) subsidiary, Statitrol International Corporation and warranty expense provisions not deductible for income tax purposes.

Investment credits, which have not been material, are accounted for as reductions of income tax expense in the year allowable for income tax purposes.

Warranty expenses:

The Company recognizes the cost of product warranties when these costs are incurred, except that provisions are made for significant potential losses. These provisions are reviewed periodically and revisions made as required.

STATITROL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1976

AND

DECEMBER 31, 1976 (UNAUDITED)

2. INVENTORIES

Inventories consist of the following:

	December 31, 1976 <u>(Unaudited)</u>	March 31, 1976 <u> </u>
Finished goods	\$ 506,417	\$ 258,082
Work-in-process	1,489,301	684,989
Raw materials	1,649,215	948,940
	\$ <u>3,644,933</u>	\$ <u>1,892,011</u>

3. LONG-TERM DEBT

Long-term debt due after one year consists of the following:

	December 31, 1976 <u>(Unaudited)</u>	March 31, 1976 <u> </u>
9 3/4% first mortgage note payable to bank, due \$4,763 per month including interest, to 1984	\$ 406,358	\$ 418,980
7% first mortgage note payable to individual, due \$467 per month including interest to 1988	43,797	45,650
8 1/4% installment contract payable, due \$621 per month including interest to 1980, secured by equipment	26,799	27,705
9% note payable to small business investment company, due \$6,228 per month including interest to 1981, secured by accounts receivable, inventory, equipment and patents	<u> -</u>	<u>296,022</u>
Subtotal	\$ <u>476,954</u>	\$ <u>788,357</u>

STATITROL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1976

AND

DECEMBER 31, 1976 (UNAUDITED)

4. COMMITMENTS

Aggregate annual commitments under noncancellable leases at March 31, 1976 are as follows:

<u>Year ended March 31,</u>	<u>Total rental commitment</u>
1977	\$ 64,422
1978	64,422
1979	59,054

Commitments under noncancellable leases for the year ended December 31, 1979 total \$10,737.

There are no significant noncapitalized financing leases.

Rent expense, principally for land, buildings, and equipment, amounted to \$101,682 for the nine months ended December 31, 1976 and \$45,600 for the year ended March 31, 1976.

5. EARNINGS PER SHARE

Earnings per common and common equivalent share were computed based on the weighted average number of shares outstanding during the periods, giving effect to dilutive stock options outstanding.

6. STOCK OPTION PLAN

The Company has a stock option plan for key employees to purchase shares of the Company's common stock at varying prices per share. In general, 25% of the options became exercisable each year following the grant, however, during the nine months ended December 31, 1976 all remaining unexercised options were made exercisable without restriction. At December 31, 1976 and March 31, 1976, 23,025 and 66,650 shares of capital stock respectively, were reserved for outstanding options. Information as to options outstanding under the stock option plan at December 31, 1976 and March 31, 1976 is as follows:

STATITROL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1976

AND

DECEMBER 31, 1976 (UNAUDITED)

6. STOCK OPTION PLAN (Continued)

	<u>Optioned shares</u>	<u>Option price</u>	<u>Aggregate value</u>
Balance at March 31, 1975	54,750		\$ 113,828
Options granted during year	3,000	\$ 5.00	15,000
Options exercised during year	(5,350)	\$.9333- 1.7227	(6,256)
	<u>52,400</u>		<u>122,572</u>
Balance at March 31, 1976	52,400		122,572
Options granted during nine month period (unaudited)	14,250	\$ 3.50	49,875
Options exercised during nine month period (unaudited)	(43,625)	\$.9333- 6.00	(88,897)
	<u>23,025</u>		<u>\$ 83,550</u>
Balance at December 31, 1976 (unaudited)	<u>23,025</u>		<u>\$ 83,550</u>

Options of 23,025 and 23,900 shares were exercisable at December 31, 1976 and at March 31, 1976 respectively.

7. PROFIT SHARING PLAN

The Company has established a noncontributory profit sharing plan covering substantially all full-time employees of the Company. Contributions under the plan are determined annually by the Board of Directors. Contributions to the plan were \$193,167 in the nine month period ended December 31, 1976 and \$122,477 for the year ended March 31, 1976.